

ORIGINAL APS

A subsidiary of Pinnacle West Capital Corporation



0000093801

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February 17, 2009

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

RE: DEMAND SIDE MANAGEMENT ADJUSTOR CHARGE PURSUANT TO DECISION NO.
67744 DOCKET NO. E-01345A-03-0437 & E-01345A-05-0526

Dear Sir or Madame:

Pursuant to Decision No. 67744, Arizona Public Service Company ("APS" or "Company") is to file for any changes in the Demand Side Management ("DSM") adjustor rate by March 1st of each year. The Demand Side Management Adjustor Charge ("DSMAC") is for recovery of Arizona Corporation Commission ("Commission" or "ACC") approved DSM expenditures in excess of the \$10 million base rate DSM allowance. Attached are Schedules 1 through 4 with the calculations for the DSMAC. The DSMAC will become effective in the first billing cycle of the month following ACC approval.

As previously authorized by the Commission in Decision No. 70295, page 5, APS has credited the DSMAC balance with \$271,768 of the Net Gains on utility property deferred pursuant to Decision No. 69670.

The deferred balance to be recovered through the adjustor for expenditures through December 31, 2007 is \$3.35 million and through December 31, 2008 is \$14.12 million. The adjustor currently in effect is zero. Including the previously approved offset for the customer balance of deferred gains on the sale of property previously included in the Company's jurisdictional rate base, the DSM Adjustment Charge per kWh will be set at \$0.000605 for residential and general service customers that are billed on a energy rate, and the Adjustment Charge per kW will be set at \$0.273328 for general service customers that are billed on a demand rate. Attached Schedule 4 contains the calculation of these charges. Adjustment Rate Schedule DSMAC-1 is attached both in redline and non-redline versions.

Please call if you should have any questions or wish to discuss this further.

Sincerely,

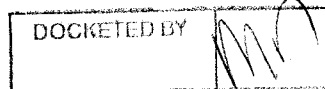

Leland R. Snook

Attachment
LRS/jjb

Cc: Ernest Johnson
Brian Bozzo
Terri Ford
Barbara Keene
Jerry Anderson (Hand Deliver)

Arizona Corporation Commission
DOCKETED

FEB 17 2009



AZ CORP COMMISSION
DOCKET CONTROL

2009 FEB 17 P 4: 37

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ARIZONA PUBLIC SERVICE COMPANY
DSMAC Schedule 1
DSM Adjustment
Recoverable Costs¹
Cost Period January 1, 2007 through December 31, 2007 and
Cost Period January 1, 2008 through December 31, 2008

Line No.	2007 ²	2008
1 Recoverable Program and Incentive Costs above the Base Rate Allowance	<u>\$ 3,237,362</u>	<u>\$ 13,905,990</u>

¹ Recoverable Costs include program costs, Measurement Evaluation Reporting (MER), performance incentive, and net gains on utility property (see Decision No. 67744 and Decision No. 69670)

² Uncollected Costs carried over from 2007

ARIZONA PUBLIC SERVICE COMPANY
DSMAC Schedule 3
DSM Adjustment
Balancing Account Computation
Cost Period January 1, 2007 through December 31, 2007 and
Cost Period January 1, 2008 through December 31, 2008

Line
No.

	2007	2008
1 Recoverable Program and Incentive Costs above the Base Rate allowance (Sch. 1)	\$ 3,237,362	\$ 13,905,990
2 Less DSM Revenue recovered from effective DSMAC (Sch. 2, Line 1))	\$ -	\$ -
3 Un-Recovered DSM Costs (Line 1 - Line 2)	\$ 3,237,362	\$ 13,905,990
4 Annual Interest @ 3.17% (Decision No. 69663 allows the inclusion of interest)	\$ 113,804	\$ 215,551
5 Total DSMAC Recoverable Costs (Line 3 + Line 4)	\$ 3,351,166	\$ 14,121,541

ARIZONA PUBLIC SERVICE COMPANY
DSMAC Schedule 4
DSM Adjustment
Calculation of the DSM Adjustment Charge
Charge Period March 1, 2009 through February 28, 2010

Line No.	<u>2008</u>
1 Total DSMAC Recoverable Costs for 2007 and 2008 (Sch. 3, Line 5)	\$17,472,707
2 Retail kWh Sales in Period (Sch. 2, Line 1)	28,902,977,000
3 DSM Adjustment Charge per kWh to be Applied in Following Year (Line 1 / Line 2)	\$ 0.000605
4 kWh Sales for General Service Customers with Demand-Based Bills	15,473,866,986
5 kW Billing Determinants for General Service Customers with Demand-Based Bills (Sch. 2, Line 1)	34,250,708
6 Revenue for G.S. Customers with Demand-Based Bills (Line 3 * Line 4)	\$9,361,690
7 DSM Adjustment Charge per kW to be Applied in Following Year (Line 6 / Line 5)	\$ 0.273328



**ADJUSTMENT SCHEDULE DSMAC-1
DEMAND SIDE MANAGEMENT COST ADJUSTMENT**

APPLICATION

The Demand Side Management Adjustment Charge ("DSMAC") shall be applied monthly to every metered and/or non-metered retail Standard Offer or Direct Access service with the exception of solar rates Solar-2, Solar-3 and SP-1. All provisions of the customer's currently applicable rate schedule will apply in addition to this adjustment charge. The DSMAC is applied to Standard Offer or Direct Access customer's bills as monthly charge to recover the cost of Commission approved demand side management programs above those costs included in base rates. The DSMAC will be changed in billing cycle 1 of the March revenue month and will not be prorated. The DSMAC and the EPS Surcharge adjustor may be combined on the customer's bill and appear on the "Environmental Benefits Surcharge" line. Details of how the DSMAC is derived and administered can be found in the Demand Side Management Adjustment Charge Plan for Administration.

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RATE

The charge shall be calculated at the following rate:

For all residential customers and general service customers whose billing does not include demand charges:

All kWh \$0.000605 per kWh

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For general service customers whose billing includes demand charges:

All metered kW \$0.273328 per kW

Deleted: 050535

Deleted: 5692

Deleted: Adjustment Schedule DSMAC-1

Deleted: David J. Rumolo

Deleted: Original

Deleted: Manager

Deleted: Effective: March 1, 2008

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ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Leland R. Snook
Title: Director, State Regulation and Pricing
Original Effective Date: April 1, 2005

A.C.C. No. 5708
Canceling A.C.C. No. 5692
Adjustment Schedule DSMAC-1
Revision No. 1
Effective: March 1, 2009



ADJUSTMENT SCHEDULE DSMAC-1 DEMAND SIDE MANAGEMENT COST ADJUSTMENT

APPLICATION

The Demand Side Management Adjustment Charge ("DSMAC") shall be applied monthly to every metered and/or non-metered retail Standard Offer or Direct Access service with the exception of solar rates Solar-2, Solar-3 and SP-1. All provisions of the customer's currently applicable rate schedule will apply in addition to this adjustment charge. The DSMAC is applied to Standard Offer or Direct Access customer's bills as monthly charge to recover the cost of Commission approved demand side management programs above those costs included in base rates. The DSMAC will be changed in billing cycle 1 of the March revenue month and will not be prorated. The DSMAC and the EPS Surcharge adjustor may be combined on the customer's bill and appear on the "Environmental Benefits Surcharge" line. Details of how the DSMAC is derived and administered can be found in the Demand Side Management Adjustment Charge Plan for Administration.

RATE

The charge shall be calculated at the following rate:

For all residential customers and general service customers whose billing does not include demand charges:

All kWh	\$0.000605	per kWh
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For general service customers whose billing includes demand charges:

All metered kW	\$0.273328	per kW
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